

FINANCIAL SECRETARIAT

NOTIFICATION.

No. Fl. 8272, dated 2nd February 1949.

The following Resolution No. F. 60-IB/48, dated 22nd October 1948, of the Government of India, containing the terms of reference of the Indian States Finances Enquiry Committee, is published for general information. Suggestions, if any, in this behalf from the members of the public will be welcome.

By Order,

M. SHAMANNA,

Financial Secretary to Government.

GOVERNMENT OF INDIA

MINISTRY OF STATES

RESOLUTION

New Delhi, the 22nd October 1948.

No. F. 60-IB/48.—Pursuant to the decisions reached at a Conference which was attended by representatives of Indian States, Unions of States and Provinces, the Government of India have decided that the loss resulting from the sale of imported foodgrains in Indian States and Unions of States at prices fixed by the Government of India, should be shared equally between the Governments of the States and Unions concerned and the Central Government. The Government of India have been pleased to grant this subsidy in addition to the bonus which they have already agreed to pay to the Governments of Indian States and Unions, exactly as in the case of Provinces, in respect of foodgrains procured in the States and Unions or exported by them to other parts of the country. This arrangement will hold good for the present till 31st March 1949.

2. During the course of the discussions at the Conference referred to above, the financial position consequent upon the integration of certain States into Unions of States came under review. There was general agreement that the existing taxation and financial structure in the Unions should be examined by a Committee of Experts, who should also make proposals regarding the sources and levels of taxation in the Unions, and the methods and machinery for their imposition, assessment and collection, having due regard to the requirements of modern standards of administration. It was, moreover, agreed that such an enquiry could, with advantage, be extended to the States which had not merged into Unions.

It was further agreed that the proposed Committee of Enquiry could also usefully consider and make recommendations concerning the question whether the States and Unions of States should not, in financial matters, be brought into a position similar to that of the Provinces, so that there might eventually emerge a uniform system of federal finance throughout India, and if so, to suggest the manner in which such an objective could best be achieved.

3. The Government of India have, after careful consideration, accepted these decisions; they are satisfied that an enquiry of the kind agreed to at the Conference would be in the best interests not only of the States and Unions, but also of the country as a whole. They have accordingly decided to constitute a Committee of Experts to enquire into the finances of Indian States and Unions of States, with the following Terms of Reference:—

“To examine and report upon:

- (1) the present structure of Public Finance in Indian States and Unions of States;
- (2) the desirability and feasibility of integrating Federal Finance in Indian States and Unions of States with that of the rest of India, to the end that a uniform system of Federal Finance may be established throughout the Dominion of India;
- (3) whether, and if so, the extent to which, the process of so integrating Federal Finance in the Indian States and Unions with that of the rest of India should be gradual and the manner in which it should be brought about; and the machinery required for this purpose, especially as regards the legislative groundwork and the administrative organisation necessary for the imposition, assessment and collection of Federal Taxes;

- (4) the results of such a policy of integrating Federal Finance upon the finances of Indian States and Unions and the consequential financial adjustments and relations which should subsist between the Governments of the Indian States and Unions on the one hand and the Government of India on the other;
- (5) the measures which the Committee may consider necessary and/or desirable for revising, in the light of present day conditions and standards, and having regard to the requirements of modern administration, the structure of Provincial Finance and, in particular, the levels and sources of Provincial Revenues in Indian States and Unions of States;
- (6) any other consequential and/or cognate matters which the Committee may consider as arising out of the foregoing terms of reference."

4. The Government of India are pleased to appoint the following gentlemen as Members of the Committee:—

Chairman.—Sir V. T. Krishnamachari, K.C.S.I., K.C.I.E., Diwan, Jaipur State.

Member.—Sri S. K. Patil, Member of the Constituent Assembly of India.

Member.—Mr. N. Dandekar, I.C.S.

The Government of India have no doubt that the Governments of all States and Unions of States will afford all facilities and assistance to the Committee in conducting the Enquiry. It is hoped that the Committee will complete its work before the end of April 1949.

M. K. VELLODI,

Secretary.

ANNEXURE.

Explanatory instructions to the Chairman of the Enquiry Committee.

(1) The expression "Public Finance" should, subject to what is stated in (3) below, be given a comprehensive meaning so as to comprise all principal sources of Revenue (including all forms of "direct" and "indirect" taxes), Expenditure, Capital transactions, State-owned or aided industries, State subsidies, etc., but excluding, however, the finances of municipalities and other local authorities.

(2) For purposes of convenient handling of the matters under enquiry, the expressions "Federal Finance" and "Provincial Finance" as distinguishing the major divisions of the Public Finance in India, should, so far as revenues are concerned, be given the same meanings in relation to States and Unions of States as the expressions "revenues of India" and "revenues of the State," respectively, have in relation to the Provinces of India according to the "Draft Constitution of India" prepared by the Drafting Committee of the Constituent Assembly of India.

(3) The Committee should *include* in the scope of its enquiry matters arising out of land revenue; but it should not concern itself with the controversy regarding the abolition of Zamindari or other intermediate (quasi-zamindari) rights or with the details of the procedure in making periodic settlements of land revenue in Ryotwari areas, or with other auxiliary questions, such as tenancy laws, etc. That is to say, in respect of land revenue the Committee need be concerned only with reporting upon—

(a) the extent to which the present *levels* of land Revenue assessments are adequate having due regard to the conditions prevailing in the *adjoining* Provinces of India;

(b) the extent to which the existing *systems* of land revenue are in accord with, or offend against, any well established canons of taxation or Public Finance generally, such as may be applicable to land revenue; and

(c) *EITHER*, if there be no serious conflict with such canons, the extent to which any defects that exist may be cured without requiring radical changes in the systems of land revenue, ownership or tenures;
OR, if the conflict be so serious as to require radical changes in the system of land revenue, ownership and/or tenures, to report accordingly and to indicate, in broad outline, the main directions of the changes which commend themselves to the Committee.

(4) The Committee may proceed on the assumption that the dividing line between Federal and Provincial Legislative competence, and between Federal and Provincial Finance, will be as proposed in the "Draft Constitution of India" prepared by the Drafting Committee of the Constituent Assembly of India.

(5) So far as the Unions of States are concerned the report arising out of item (1) of the Terms of Reference, and the proposals under item (5) of the Terms of Reference, are needed urgently and may, if practicable, be submitted even before the completion of the rest of the Enquiry.